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**DREAM EAST**  
梦东方

**DREAMEAST GROUP LIMITED**  
**夢東方集團有限公司**

*(Incorporated in Bermuda with limited liability and  
carrying on business in Hong Kong as “DreamEast Cultural Entertainment”)*  
**(Stock Code: 593)**

**DISCLOSEABLE AND CONNECTED TRANSACTION**  
**DISPOSAL OF A SUBSIDIARY**

On 28 June 2019, the Vendor, being a wholly-owned subsidiary of the Company, the Purchaser and the Guarantors entered into the Share Transfer Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of US\$27,000,000 (equivalent to approximately HK\$209,250,000).

Upon completion of the Disposal, the Target Company, Sophie USA and Derian Irvine will cease to be subsidiaries of the Company and their financial statements will no longer be consolidated into the Group’s financial statements.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Share Transfer Agreement exceeds 5% but is less than 25%, the entering into of the Share Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Rule 14.33 of the Listing Rules.

TA Partners, by virtue of its holding of 10% equity interest in Derian Irvine, is a connected person of the Company at the subsidiary level. The Purchaser, being a company wholly owned by the Guarantors who are the ultimate beneficial owners of TA Partners as at the date of this announcement, is an associate of TA Partners and thus a connected person of the Company at the subsidiary level. Therefore, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, the Board has approved the Disposal and the independent non-executive Directors have also confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

None of the Directors is considered to have a material interest in the Disposal and therefore none of the Directors was required to abstain from voting on the Board resolutions approving the Share Transfer Agreement and the transactions contemplated thereunder.

On 28 June 2019, the Vendor, being a wholly-owned subsidiary of the Company, the Purchaser and the Guarantors entered into the Share Transfer Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of US\$27,000,000 (equivalent to approximately HK\$209,250,000).

# SHARE TRANSFER AGREEMENT

## Date

28 June 2019

## Parties

Vendor: COMB+ Technology Holdings Limited

Purchaser: TA Partners Apartment Fund III LLC

Guarantors: (a) Johnny Lu

(b) Yaojun Liu

The Purchaser is a company incorporated in the USA with limited liability and principally engages in property development. The Guarantors are the ultimate beneficial owners of the Purchaser and each holds 50% equity interest in the Purchaser.

## Asset to be disposed of

The asset to be disposed of consists of the Sale Shares, representing the entire issued share capital of the Target Company.

## Consideration

The Consideration of US\$27,000,000 (equivalent to approximately HK\$209,250,000) for the Disposal is payable by the Purchaser in the following manner:

- (i) within 30 days after execution of the Share Transfer Agreement, the Purchaser shall make the First Payment to the Vendor in the amount of not less than US\$18,900,000 (equivalent to approximately HK\$146,475,000); and
- (ii) on or before 31 December 2019, the Purchaser shall pay the balance of US\$8,100,000 (equivalent to approximately HK\$62,775,000) maximum to the Vendor.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser taking into account (i) the net asset value of Sophie USA which owns 90% equity interest in Derian Irvine for an original investment at the amount of US\$22,500,000 (equivalent to approximately HK\$174,375,000) and (ii) two shareholder's loans owed by Derian Irvine to affiliated entities of the Vendor in the amount of approximately US\$508,000 (equivalent to approximately HK\$3,937,000) in aggregate.

### **Escrow arrangement and pledging of Sale Shares**

Upon execution of the Share Transfer Agreement, the Vendor has executed and delivered to an escrow holder a full set of transfer documents for the Disposal. Upon the First Payment, the escrow holder will release the transfer documents to the transfer agent for completion of the transfer of the Sale Shares. If the Purchaser fails to make the First Payment in accordance with the terms of the Share Transfer Agreement, the transfer documents will be cancelled and returned to the Vendor and the Share Transfer Agreement shall be terminated automatically.

If the Purchaser makes the First Payment in an amount that equals or exceeds US\$18,900,000 but is less than the Consideration in full, the Purchaser shall pledge in favour of the Vendor part of the shares of the Target Company, the value of which shall equal to 1.5 times of the unpaid part of the Consideration.

### **Additional undertaking**

The Purchaser agrees that, before its payment of the Consideration in full, the Target Company shall not, and it shall not procure the Target Company to, make any form of disposal of property or shares.

### **Guarantee**

The Guarantors provide unlimited guarantee on the performance of the Share Transfer Agreement on the part of the Purchaser on a joint and several basis for a term from the date of the Share Transfer Agreement to 31 December 2020.

### **Completion**

Completion shall take place on or before 31 December 2019 and be conditional on the Purchaser's full payment of the Consideration.

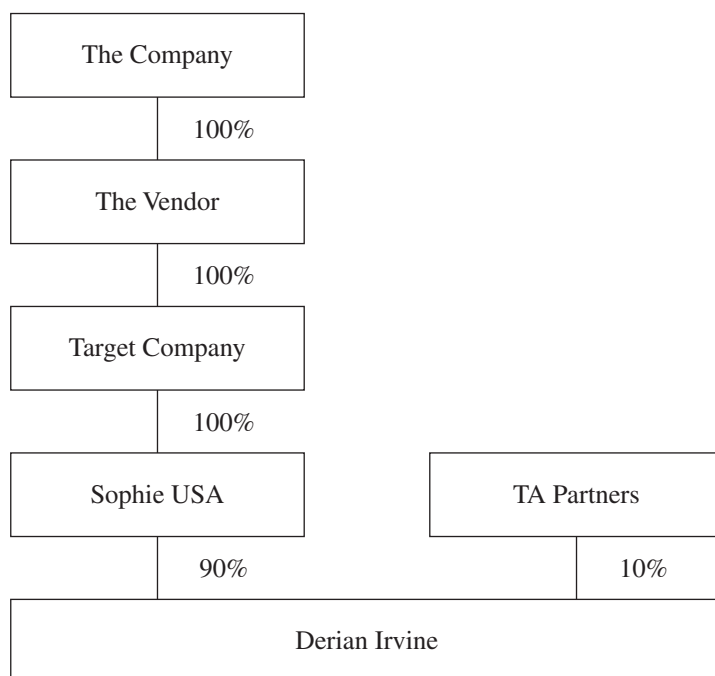
## INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability and, prior to completion of the Disposal, a wholly-owned subsidiary of the Company indirectly held through the Vendor. Its principal business is investment holding. The Target Company holds the entire issued share capital of Sophie USA which owns 90% equity interest in Derian Irvine. The remaining 10% equity interest in Derian Irvine is held by TA Partners, being a company held as to 50% by each of the Guarantors.

Sophie USA is a company incorporated in the USA with limited liability and is the intermediate holding company of Derian Irvine as at the date of this announcement. Its principal business is investment holding.

Derian Irvine is a company incorporated in the USA with limited liability and principally engages in property development. As at the date of this announcement, Derian Irvine holds a piece of land in Irvine, California, USA and the project for construction of apartment units on the said piece of land is yet to commence.

Set out below is the shareholding structure consisting of the Company, the Vendor and the Target Group immediately before completion of the Disposal:



Set out below is the unaudited combined financial information of the Target Group as prepared in accordance with Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2017 and 2018:

	<b>For the year ended 31 December 2018 <i>HK\$'000</i> (unaudited)</b>	<b>For the year ended 31 December 2017 <i>HK\$'000</i> (unaudited)</b>
<b>Revenue</b>	–	–
<b>Net loss before taxation</b>	8,956	8,900
<b>Net loss after taxation</b>	8,956	8,900

According to the unaudited combined financial information of the Target Group as at 31 December 2018, the Target Group had a net asset value of approximately HK\$171,981,000.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Upon completion of the Disposal, the Target Company, Sophie USA and Derian Irvine will cease to be subsidiaries of the Company and their financial statements will no longer be consolidated into the Group's financial statements.

Subject to the review of the Company's auditor, based on the unaudited management account as at 31 May 2019, the Group currently expects to record a gain arising from the Disposal of approximately HK\$15,655,000 upon completion of the Disposal.

The Board currently intend to apply the net proceeds from the Disposal (after deducting relevant costs and expenses in connection with the Disposal) as general working capital and for funding future business development opportunities of the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE DISPOSAL**

The Company is an investment holding company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Group is principally engaged in the operation of tourist resorts and theme parks under the brand name of “DreamEast”, as well as property development. The Vendor is a company incorporated in the BVI and a direct wholly-owned subsidiary of the Company which principally engages in investment holding.

Due to the high costs for the property development business of Derian Irvine, the Board considers that the Disposal is a good opportunity to realise its investment in the Target Group. The Directors are of the view that (i) the Disposal can help the Group to reduce its investment risk, as future outlook of Derian Irvine is expected to be challenging in foreseeable future, and (ii) the Disposal will not significantly affect the Group’s operations. In these circumstances, the Directors believe that it is beneficial for the Company to dispose of the Target Group and to allocate more financial and human resources to the development of its cultural tourism and entertainment business which is expected to have more promising prospects.

The terms of the Share Transfer Agreement were arrived at after arm’s length negotiations among the Parties. The Directors (including the independent non-executive Directors) have confirmed that the Disposal and the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Share Transfer Agreement exceeds 5% but is less than 25%, the entering into of the Share Transfer Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under Rule 14.33 of the Listing Rules.

TA Partners, by virtue of its holding of 10% equity interest in Derian Irvine, is a connected person of the Company at the subsidiary level. The Purchaser, being a company wholly owned by the Guarantors who are the ultimate beneficial owners of TA Partners as at the date of this announcement, is an associate of TA Partners and thus a connected person of the Company at the subsidiary level. Therefore, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As at the date of this announcement, the Board has approved the Disposal and the independent non-executive Directors have also confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. By virtue of Rule 14A.101 of the Listing Rules, the Disposal is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements.

None of the Directors is considered to have a material interest in the Disposal and therefore none of the Directors was required to abstain from voting on the Board resolutions approving the Share Transfer Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	DreamEast Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 593)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration in the amount of US\$27,000,000 in total to be paid by the Purchaser to the Vendor for the Disposal
“Derian Irvine”	17422 Derian Irvin LLC, a company incorporated in the USA with limited liability and a direct non wholly-owned subsidiary of Sophie USA
“Director(s)”	the director(s) of the Company



“Disposal”	the disposal of the entire issued share capital of the Target Company by the Vendor in accordance with the Share Transfer Agreement
“First Payment”	the first payment of part of the Consideration in the amount of not less than US\$18,900,000 payable by the Purchaser to the Vendor
“Group”	the Company and its subsidiaries
“Guarantors”	Johnny Lu and Yaojun Liu, as guarantors of the Purchaser
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Purchaser”	TA Partners Apartment Fund III LLC, a company incorporated in the USA with limited liability and wholly owned by the Guarantors
“Sale Shares”	100 shares in the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement
“Share Transfer Agreement”	the share transfer agreement dated 28 June 2019 entered into among the Vendor, the Purchaser and the Guarantors in relation to the Disposal
“Shareholder(s)”	holder(s) of the share(s) of the Company

“Sophie USA”	Sophie USA Holdings, Inc., a company incorporated in the USA and a direct wholly-owned subsidiary of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TA Partners”	TA Partners LLC, a company incorporated in the USA with limited liability and wholly owned by the Guarantors
“Target Company”	Sophie USA Holdings Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“US\$”	US dollars, the lawful currency of the USA
“USA”	the United States of America
“Vendor”	COMB+ Technology Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company

By order of the Board of  
**DreamEast Group Limited**  
**Zhou Zheng**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 2 July 2019

*As at the date of this announcement, the Board comprises Mr. Zhou Zheng (Chairman and Chief Executive Officer) and Mr. Yang Lei being the executive Directors, and Mr. Li Chak Hung, Dr. Meng Xiaosu, Mr. Yang Buting and Mr. Zhao Daxin being the independent non-executive Directors.*

*For the purpose of this announcement, unless otherwise indicated, the conversion of US\$ into HK\$ is based on the exchange rate of US\$1 = HK\$7.75. Such rate is for the purpose of illustration only and does not constitute a representation that any amount in question in US\$ or HK\$ has been or could have been or may be converted at such or another rate or at all.*